

**197—13.2(534) Definitions.**

*“Full-payout lease”* is one from which the lessor can reasonably expect to realize a return of its full investment in the leased property, plus the estimated cost of financing the property over the term of the lease. Recovery of investment by the lessor may be derived from:

1. Rentals;
2. Extended tax benefits;
3. The estimated residual value of the property at the expiration of the initial term of the lease.

The estimated residual value shall not exceed 25 percent of the acquisition cost of the property to the lessor unless it is guaranteed by the manufacturer, the lessee, or a third party not an affiliate of the association, and the association makes the determination that the guarantor has the resources to meet the guarantee. In all cases, however, both the estimated residual value of the property and that portion of the estimated residual value relied upon by the lessor to satisfy the requirements of a full-payout lease must be reasonable in light of the nature of the leased property and all relevant circumstances. Realization of the lessor’s full investment plus the cost of financing the property should primarily depend on the creditworthiness of lessee and any guarantor of the residual value, and not on the residual market value of the leased item.

*“Lease”* means a contract in the form of a lease or bailment for the use of personal property for a period of time exceeding four months, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease.

*“Lessee”* means the party who leases or is offered a lease.

*“Lessor”* means a person who is regularly engaged in leasing, offering to lease, or arranging to lease under a lease.

*“Net lease”* means a lease under which the association will not be, directly or indirectly, obligated to provide for:

1. The servicing, repair or maintenance of the leased property during the lease term;
2. The purchase of parts or accessories for the leased property: Provided, however, that improvements and additions may be leased to the lessee upon its request in accordance with the full payout requirements of subrule 13.2(6);
3. The loan or replacement of substitute property while the leased property is being serviced;
4. The purchasing of insurance for the lessee, except where the lessee has failed in its contractual obligation to purchase or maintain the required insurance;
5. The renewal of any license or registration for the property unless such action by the association is necessary to protect its interest as owner or financier of the property.

*“Personal property”* means any property which is not real property under the laws of Iowa at the time offered or otherwise made available for lease.